

Message Text

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ACTION ARA-10

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EO 11652: GDS

TAGS: EINV, EMIN, PFOR, PE, US

SUBJECT: MARCONA EXPROPRIATION - MEETING WITH FOREIGN
MINISTER

FOR DELIVERY OPENING OF BUSINESS AUGUST 5

1. I HAVE JUST RETURNED FROM FONOFF WHERE I SPENT AN HOUR AND A HALF WITH DE LA FLOR ON MARCONA PROBLEM. AS WAS TO BE EXPECTED, HE AND I REVIEWED DETAILS OF EVENTS, AND RESPECTIVE POSITIONS AND POINTS OF VIEWS REGARDING THEM. MOST IMPORTANTLY (AFTER EXHAUSTING NUMBER OF ARGUMENTS ON BOTH SIDES) WE DECIDED THAT NEITHER HE NOR I WERE ENGINEERS OR LAWYERS TO REACH A VERDICT REGARDING FINAL OUTCOME OF CASE AND THAT OUR COURSE AS HONEST BROKERS WAS TO ATTEMPT TO PUT TRAIN OF NEGOTIATIONS BETWEEN COMPANY AND GOP BACK ON TRACK.

2. ON QUESTION "ELIZABETH LYKES", HE CONFIRMED GOP INTENTION OFFLOAD MARCONA CARGO BUT ASSURED ME IT WOULD
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BE DONE LEGALLY AND THAT QUESTION OF OWNERSHIP WOULD BE

DETERMINED BY APPROPRIATE COURTS WITH CARGO IN PORT. HE MADE GOP ARGUMENTS CONCERNING RIGHTS OF HIERROPERU TO PROPERTY CONSIGNED TO MARCONA PERU AND SAID FINAL DECISION WOULD BE UP TO COURTS AND IF DECISION WENT IN HERROPERU'S FAVOR, THERE WOULD BE IMMEDIATE PAYMENT. HE SAID REPEATEDLY THAT PERU IS COUNTRY OF LAW AND THAT RIGHTS OF ALL PARTIES TO DEFEND THEIR CASE AND TO APPEAL WILL BE UPHELD. EARLIER, HE HAD PROTESTED OUR NOTE OF PROTEST OF LAST FRIDAY BECAUSE HE SAID THAT NO AUTHORITATIVE ACTION HAD TAKEN PLACE AT THAT TIME. (OF COURSE WE BOTH RECOGNIZED THAT GOP DECISION TO UNLOAD CARGO THIS AFTERNOON, JUST CONFIRMED BY TELEPHONE CALL FROM SHIPPING AGENT, RENDERED IRRELEVANT THE QUESTION OF WHICH GOP AUTHORITY GAVE RISE TO OUR NOTE. DE LA FLOR LAMENTED FACT THAT WE HAD SENT FRIDAY NOTE, WHICH IN HIS VIEW TENDED TO EXACERBATE THE PROBLEM BUT EXPRESSED HOPE THAT IT WOULD NOT BE MADE PUBLIC. IN LATTER CASE, THE GOP WOULD BE FORCED TO REPLY IN KIND.

3. FOLLOWING HIS LONG DEFENSE OF MARCONA EXPROPRIATION ACTION IS WHICH HE TOUCH UPON NUMBER OF CHARGES AGAINST COMPANY'S CONDUCT OF MINING OPERATIONS COVERED IN EXPROPRIATION DECREE AND MY REBUTTAL TO THESE CHARGES, DE LA FLOR SAID HE THOUGHT GOP WOULD BE PREPARED TO DISCUSS WITH MARCONA REPRESENTATIVES THE RESOLUTION OF A NUMBER OF OUTSTANDING QUESTIONS IN THE AREA OF MARKETING, SHIPPING, INCOMING SUPPLIES, ALONG WITH EXAMINATION OF THE QUESTION OF COMPENSATION. I PUSHED THIS LINE VERY STRONGLY AS THE ONLY WAY TO OVERCOME THESE PROBLEMS AND GET RELATIONS BACK ON THE TRACK. HE WAS PLEASED WITH THE MODERATE TONE OF USG NOTE ON EXPROPRIATION WHICH I DELIVERED AND SAID IT WOULD BE USEFUL IN HIS DISCUSSION OF THIS PROBLEM WITH OTHER MINISTERS TOMORROW. WE PARTED ON THE NOTE THAT HIS JOB, LIKE MINE, WAS TO SEARCH FOR SOLUTIONS THROUGH NEGOTIATIONS, NOT CONFRONTATION. I MENTIONED THIS AS ONE OF THE LESSONS WE HAD LEARNED FROM THE BRANIFF-AEROPERU PROBLEM.

4. COMMENT: ALTHOUGH GOP'S DECISION TO OFFLOAD MARCONA SHIPMENT OF SUPPLIES COMPLICATES OUR PROBLEM AND IT WOULD CONFIDENTIAL

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BE FOOLISH TO PUT TOO MUCH STOCK IN THIS CONVERSATION WITH DE LA FLOR, IT CAN BE SAID WITH CONSIDERABLE ASSURANCE THAT DE LA FLOR IS NOW FULLY AWARE OF THE DIRE IMPLICATIONS OF THE MARCONA PROBLEM AND SEEMS TO BE SEIZED WITH THE NEED TO BEGIN SERIOUS NEGOTIATIONS TO RESOLVE IT AND MAY BE EXPECTED TO ATTEMPT TO INITIATE STEPS TOWARD THIS END AT TOMORROW'S CABINET MEETING. IF DE LA FLOR, ONE OF THE MORE STRIDENT THIRD WORLDERS IN THE

PERUVIAN CABINET, HAS SEEN THE LIGHT ON (OR AT LEAST
RECOGNIZED THE POTENTIAL CONSEQUENCES OF) THIS ISSUE, IT
SHOULD ENHANCE THE POSITION OF THE MAJORITY IN THE CABI-
NET, WHICH WE BELIEVE IS MORE INCLINED TO BE SENSITIVE
TO THE IMPLICATIONS OF THIS QUESTION.

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